

RELATORS SETTLEMENT AGREEMENT

1. THIS AGREEMENT is entered into by and between the United States of America, acting by and through the United States Department of Justice, relators Larry Friedman and Marion Tucker Altman, Jr. (collectively "Relators"), and Rite Aid Corporation ("Rite Aid"). Collectively, the United States, the Relators, and Rite Aid will be referred to as "the Parties."

PREAMBLE

2. On April 23, 1998, pursuant to the *qui tam* provisions of the False Claims Act, 31 U.S.C. § 3730, Larry B. Friedman ("Friedman"), in his individual capacity and as a relator on behalf of the United States, filed an amended complaint, under seal in United States ex rel. Larry B. Friedman v. Rite Aid Corporation, Civil Action No. 97-CV-7889, in the United States District Court for the Eastern District of Pennsylvania. The United States intervened in the Lawsuit on September 28, 2001. The *qui tam* action filed by Friedman avers that Rite Aid violated the False Claims Act by: (i) allegedly returning to stock and failing to delete or readjudicate prescriptions that were billed to federal health insurance programs but were not picked up by customers; and (ii) restocking items without "lot control." On September 27, 1996, pursuant to the *qui tam* provisions of the False Claims Act, 31 U.S.C. § 3730, Marion Tucker Altman, Jr. ("Altman") in his individual capacity and as a relator on behalf of the United States, filed an amended complaint, United States ex rel. Altman v. Rite Aid Corporation, et al. (under seal), Case No. 2 96 1005 2 in the United States District Court for the District of South Carolina. Altman alleges that Rite Aid violated the False Claims Act by billing the United States for partially-filled prescriptions as if they were full prescription

that had been delivered to the patient. The *qui tam* suits filed by Friedman and Altman are collectively referenced herein as the "Lawsuits."

3. The United States and Rite Aid have entered into a separate agreement to resolve the allegations in the Lawsuits, whereby Rite Aid will pay to the United States and Participating States \$7,000,000 ("Settlement Amount"). The United States shall receive \$5,600,000 of the Settlement Amount and the Participating States shall receive \$1,400,000.
4. The Relators have asserted claims against the United States to receive a portion of the federal share. The Relators have also asserted claims against Rite Aid for payment of reasonable attorneys' fees and costs under 31 U.S.C. §3730(d).
5. The United States denies that the Relators are proper relators and denies that the Relators are entitled to receive a portion of the federal share under 31 U.S.C. §3730(d).
6. Rite Aid denies the allegations in the Lawsuits and denies any and all wrongdoing and/or liability under the False Claims Act, 31 U.S.C. §§ 3729-3733, or any other federal or state law or regulation with respect thereto.
7. The Parties desire to resolve Relators' claims for a portion of the federal share from the United States and for reasonable attorneys' fees and costs from Rite Aid.

TERMS AND CONDITIONS

ACCORDINGLY, in consideration of the mutual promises, covenants and obligations set forth below, and for good and valuable consideration as stated herein, the Parties agree as follows:

8. The Relators agree that the settlement between the United States and Rite Aid to resolve the allegations in the Lawsuits are fair, adequate, and reasonable pursuant to 31 U.S.C.

§3730(c)(2)(B), and shall promptly execute appropriate Stipulations of Dismissal as to Rite Aid.

9. The United States agrees to pay the Relators \$1,120,000 ("relator share") within a reasonable time period following the United States' receipt of payment of the federal share from Rite Aid. Friedman shall receive \$1,065,000 of the relator share. Altman shall receive \$55,000 of the relator share. The United States shall not be obligated to pay the Relators a share of the settlement proceeds unless and until the United States receives payment from Rite Aid.
10. Rite Aid agrees to pay the Relators' counsel \$225,000 for reasonable attorneys' fees and costs under 31 U.S.C. § 3730(d), which shall be made payable to Begelman & Orlow, P.C.
11. In consideration of the United States' satisfaction of its obligations under this Agreement, the Relators agree to release the United States from liability for any and all claims they might bring against the United States relating to the Lawsuits against Rite Aid, including any claim that might be brought pursuant to 31 U.S.C. §3730(d).
12. The Relators, individually and collectively, hereby remise, release and forever discharge **Rite Aid and each of its past and present agents, successors, assigns, officers, directors, shareholders, managers, employees, parents, subsidiaries and affiliates, from and of any and all actions and causes of action (whether civil, criminal, administrative or otherwise), fines, penalties, forfeitures, damages, suits, debts, dues, accounts, bonds, agreements, contracts, covenants, promises, judgments, costs, attorneys' fees,**

**expenses, compensation, claims and demands whatsoever, of every nature,
kind and description,**

**arising from the beginning of the world until the date hereof, whether now known or
unknown, accrued or unaccrued, including but not limited to all claims made or
which could have been made in either or both of the Lawsuits.**

13. Capacity to Execute Agreement. Each Party signing this Agreement in a representative capacity warrants that he or she is duly authorized to do so.
14. Entire Agreement. Except as otherwise set forth herein, this Agreement constitutes the entire agreement with respect to Relators and may not be modified except by a writing signed by all Parties hereto.
15. Effective Date. This Agreement shall be effective on the date of signing by all the Parties.
16. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement.
17. All Parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

RELATORS

DATED

LARRY FRIEDMAN
Relator

DATED

ROSS BEGELMAN
Begelman & Orlow
Attorney for Relator Larry Friedman

DATED

MARION TUCKER ALTMAN, JR.
Relator

DATED

GREGG MEYERS
Attorney for Relator Marion Tucker Altman, Jr.

UNITED STATES OF AMERICA

DATE

ALLIE PANG
Commercial Litigation Branch
Civil Division
U.S. Department of Justice

PATRICK L. MEEHAN
United States Attorney for the
Eastern District of Pennsylvania

DATE

KT NEWTON
Assistant U.S. Attorney

PAULA D. SILSBY
United States Attorney for the
District of Maine

DATE

EVAN ROTH
Assistant U.S. Attorney

RITE AID CORPORATION

DATED

[OFFICER OF RITE AID
CORPORATION]

DATED

ERIC W. SITARCHUK
RAYMOND A. QUAGLIA
Ballard Spahr Andrews & Ingersoll, LLP
Attorneys for Rite Aid Corporation